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FISCAL IMPACT STATEMENT

LS 7067

BILL NUMBER: HB 1416

NOTE PREPARED: Jan 11, 2006

BILL AMENDED:

SUBJECT: Financial Responsibility for Motor Vehicles.

FIRST AUTHOR: Rep. Mays

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions.

Motor Vehicle Statement: This bill requires the Bureau of Motor Vehicles (BMV) to include a statement on a motor vehicle registration application regarding the cancellation of motor vehicle liability insurance and certain information on the certificate of registration.

Proof of Financial Responsibility: The bill requires a person registering a motor vehicle in person to: (1) provide proof of financial responsibility; and (2) sign the copy of the certificate of registration under penalty of perjury.

Insurance Cancellation Rules and Notices: This bill requires the BMV to establish rules concerning the cancellation of insurance. It requires an insurer to notify the BMV if insurance is canceled before the expiration date of the policy.

BMV to Suspend License/Registration: The bill requires the BMV to suspend the driver's license or the registration of a person who was a policyholder under canceled insurance if the person does not specify how the person will maintain financial responsibility on the person's vehicle after canceling the policy, unless the person receives an exemption from the BMV.

Reinstatement of License or Registration: This bill provides for reinstatement of the driver's license or the registration after 90 days of suspension after payment of a reinstatement fee.

Penalty Provisions: The bill makes it a Class C misdemeanor to operate a motor vehicle unless financial

responsibility is in effect on the vehicle, and a Class D felony if the person has a prior unrelated conviction or judgment for the failure to maintain financial responsibility.

Technical Corrections: This bill makes technical corrections.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Motor Vehicle Statement:* In FY 2005, the BMV spent \$117,000 for the printing of new forms. To the extent that this provision requires a new form(s), printing expenditures may increase; however, any increase can be covered by existing resources available to the BMV. The fund affected is the Motor Vehicle Highway Account (MVHA) which supports the BMV.

Proof of Financial Responsibility: This provision should have no fiscal impact on the BMV.

Insurance Cancellation Rules and Notices: Adopting rules under this provision can be accomplished through the current rulemaking process. However, receiving notices of cancellation from insurers and notifying those whose policies have been cancelled will result in increased expenditures for the BMV. It is assumed that 20% of the state's approximately 6.6 million licensed drivers will receive notifications for failure to comply with this proposal, and 10% of all notices will result in suspensions. Further, it is assumed that each notice will cost an estimated \$0.39. The requirements imposed upon vehicle owners and the BMV take effect January 1, 2007. The estimated additional expenditures are summarized in the following table.

Item	FY 2007	FY 2008
Personnel	\$135,477	\$270,953
Mailing	\$264,085	\$528,170
Total	\$399,562	\$799,123

The fund affected is the MVHA, which supports the BMV.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. For FY 2005, the BMV reverted approximately \$1.1 M from its main operating account and \$3.83 M from the Financial Responsibility Compliance Verification Fund. As of January 9, 2006, the BMV had 70 vacant, budgeted positions with annual salaries amounting to approximately \$1.8 M. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

BMV to Suspend License/Registration: This provision will be implemented under current procedures for suspension. In CY 2003, the most recent for which complete data are available, the BMV suspended 241,000 licenses.

Penalty Provisions: The bill makes it a Class D felony instead of a Class C misdemeanor if a person has a prior unrelated conviction or judgment for the failure to maintain financial responsibility. State expenditures

could increase if an offender is incarcerated in a state prison rather than in a local jail. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor. The period of incarceration will depend upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$20,977 in FY 2005. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost per offender for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily. The estimated average cost of housing a juvenile in a state juvenile facility was \$62,292. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months. If an offender is sentenced to state prison rather than to a county jail, the costs to the county may be reduced.

Explanation of State Revenues: *Penalty Provisions:* The bill makes it a Class C misdemeanor (instead of a Class A infraction) to operate a motor vehicle unless financial responsibility is in effect on the vehicle, and a Class D felony (instead of a Class C misdemeanor) if the person has a prior unrelated conviction or judgment for the failure to maintain financial responsibility.

This bill potentially increases revenue to the Common School Fund, but could reduce revenue that is deposited in the state General Fund. This is because fines from misdemeanors are deposited in the Common School Fund, while infraction judgements are deposited in the state General Fund. Currently, the maximum judgment for a Class A infraction is \$10,000, which is deposited into the state General Fund, while the maximum fine for a Class C misdemeanor is \$500, which is deposited into the Common School Fund.

In addition, more revenue to the Common School Fund could be collected if a larger criminal fine is assessed by the sentencing court. The maximum fine for a Class C misdemeanor is \$500, while the maximum fine for a Class D felony is \$10,000. Court fees for both misdemeanors and felonies are \$120.

Besides the issuance of fines, the sentencing court may assess a court fee if a guilty verdict is entered. The court fee for an infraction is \$70, while the court fee for a misdemeanor is \$120. The state receives 70% of the court fee that is assessed when a guilty verdict is entered and the fee is collected in a court of record and 55% if a case is filed in a city or town court.

Reinstatement of License or Registration: There may be additional annual revenue accruing to the Financial Responsibility Compliance Verification Fund and the MVHA. The fee for reinstatement of a driving license that was suspended for failure to maintain financial responsibility is \$150 for the first suspension, \$225 for the second suspension, and \$300 for the third suspension. For each suspension, \$30 is deposited into the MVHA, with the remainder deposited into the Financial Responsibility Compliance Verification Fund (IC 9-25-9-7).

Money in the Financial Responsibility Compliance Verification Fund may be used to defray expenses incurred by the BMV in verifying compliance with financial responsibility requirements. The expenses of administering the fund is paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund.

Revenue accruing to the Financial Responsibility Compliance Verification has averaged \$7.52 M per year over the last five fiscal years.

Explanation of Local Expenditures: *Penalty Provisions:* Local expenditures could increase if offenders are incarcerated in local jails instead of being only fined. A Class C misdemeanor is punishable by up to 60 days

in jail. The average daily cost of housing an offender

Explanation of Local Revenues: *Penalty Provisions:* Court fees for both misdemeanors and felonies are \$120. Local governments could receive additional revenues from any court fees that are collected for cases that were infractions and are now misdemeanors. Twenty-seven percent of court fees that are collected are deposited in the county general fund when a guilty verdict is entered for a misdemeanor. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. From city and town courts, the county general fund receives 20% of the court fee while the city or town general fund receives 25%.

State Agencies Affected: Department of Correction; Bureau of Motor Vehicles.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Indiana Sheriffs' Association, Department of Correction; BMV data updated from the 2005 legislative session; *Indiana Handbook of Taxes, Revenues, and Appropriations for FY 2005*, page 299.

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